



# 2013 Spring Policy Forum

## Protecting Our Investment in Georgia's Future



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# **2013 Spring Policy Forum**

## **Keynote Speaker: Joan Huffer**

# **Impact of Federal Fiscal Decisions on Georgia**

**Joan Huffer**  
**Director, Federal Budget Initiative**

**May 1, 2013**  
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# Federal Spending, FY 2012

Interest on National Debt  
**6%**

Social Security  
**21%**

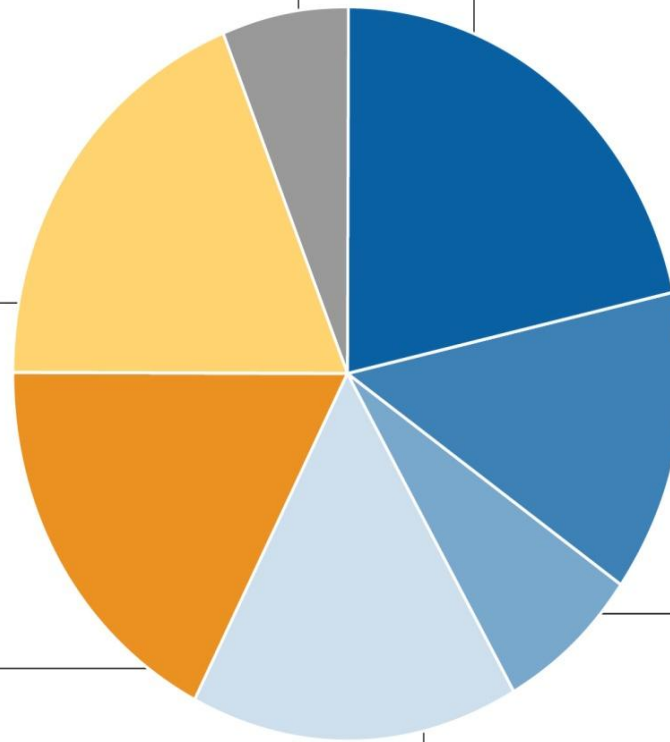
Defense  
Discretionary  
**19%**

Medicare  
**13%**

Non-Defense  
Discretionary  
**17%**

Medicaid and CHIP  
**7%**

Other Entitlement  
Programs  
**16%**

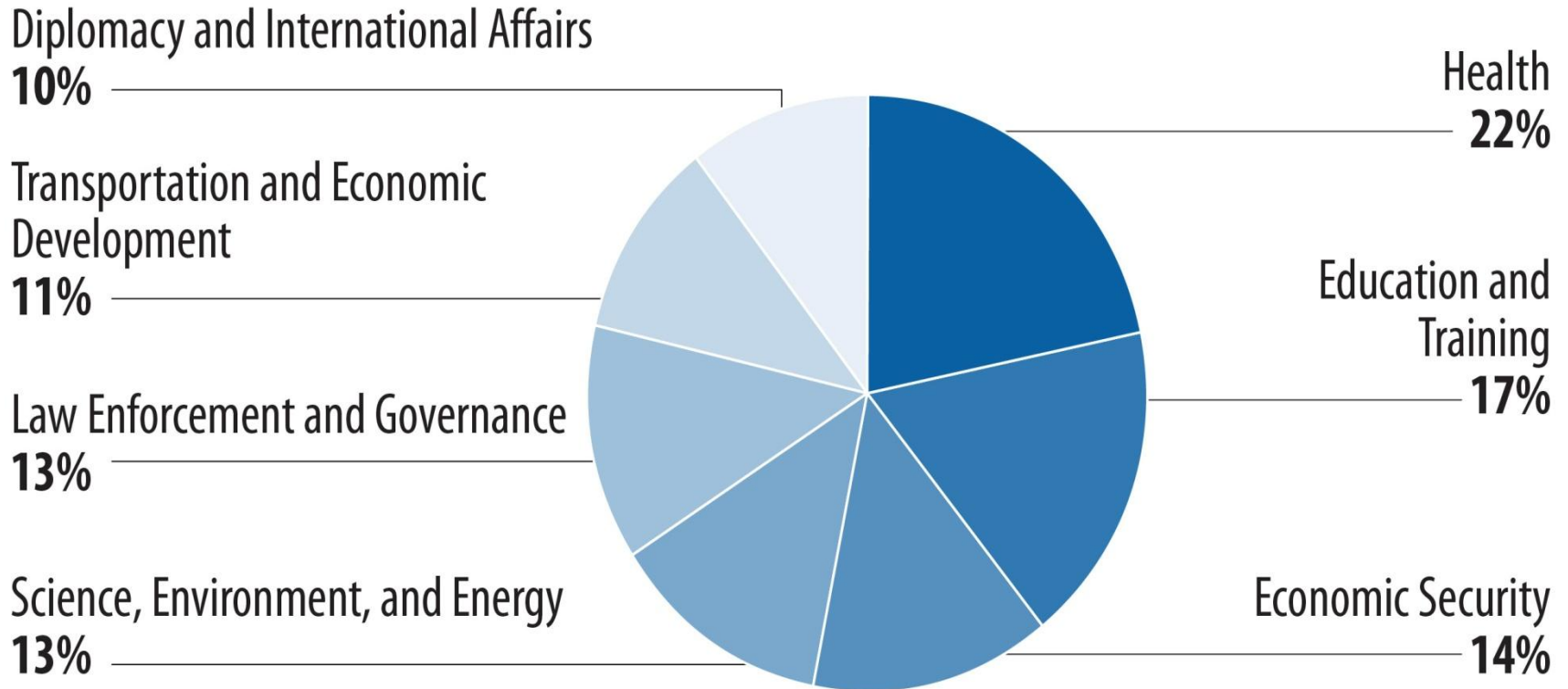


Source: Congressional Budget Office



# What is Non-Defense Discretionary?

## NDD Funding by Program Category, FY 2012



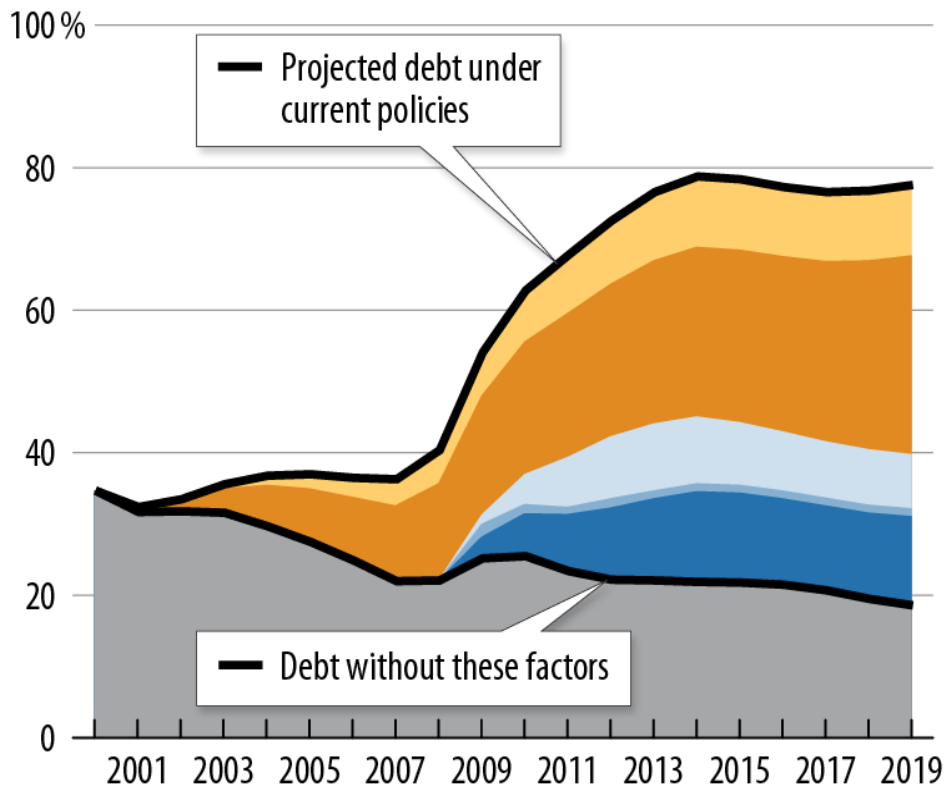
Source: CBPP based on Congressional Budget Office data.



# Tax Cuts, Wars Account for Nearly Half of Public Debt by 2019

Debt held by the public as percent of GDP

- Wars in Iraq and Afghanistan
- Bush-era tax cuts
- Recovery measures
- TARP, Fannie, and Freddie
- Economic downturn
- Other debt



## **Deficit Reduction Achieved So Far**

**\$2.75 trillion in deficit reduction enacted since 2010  
(not including sequestration) – 2014-2023 period**

\$1.6 trillion largely from discretionary spending

\$0.7 trillion in revenues

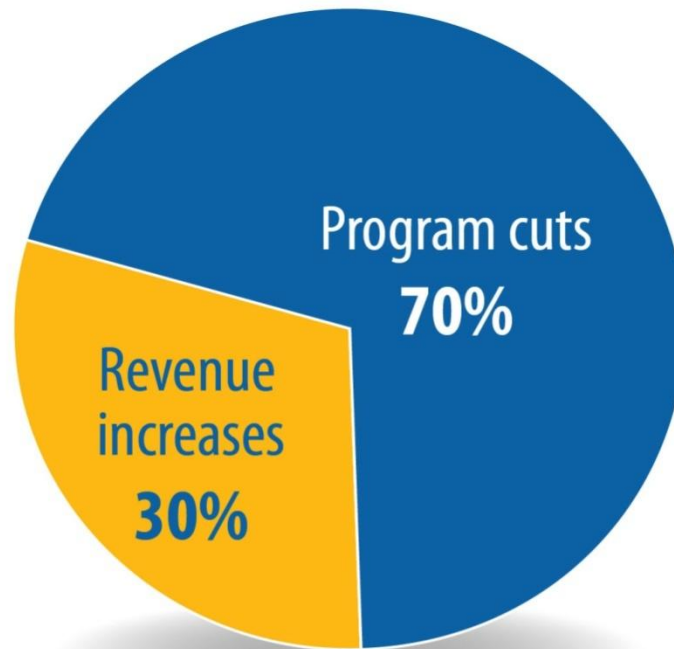
\$0.4 trillion in interest

**\$1.5 trillion more would stabilize debt**

\$1.3 trillion in policy changes; \$200b in interest



# 70 percent of deficit reduction enacted since 2010 has come from cuts in programs



Note: Recent policy savings come from cuts in 2011 funding, Budget Control Act of August 2011, and American Taxpayer Relief Act of January 2013. Estimates are for 2014-2023.

Source: Center on Budget and Policy Priorities based on Congressional Budget Office and Joint Committee on Taxation data.





# Sequestration in 2013

## Cuts in 2013 Funding Required by Sequestration Effective as of March 1st

	Billions	Percent
<b>Total</b>	<b>\$85.3</b>	
<b>Defense</b>	<b>\$42.7</b>	
Defense discretionary	\$42.6	7.8%
Defense mandatory	\$0.1	7.9%
<b>Non-defense</b>	<b>\$42.7</b>	
Non-defense discretionary	\$25.8	5.0%
Medicare	\$11.3	2.0%
Other non-defense mandatory	\$5.5	5.1%

Figures do not add to totals due to rounding. Percentages apply only to amounts that are not exempt from sequestration.

Source: OMB calculations of mandatory funding, defense unobligated balances, and offsets to discretionary appropriations ([http://www.whitehouse.gov/sites/default/files/omb/assets/legislative\\_reports/fy13ombjsequencestrationreport.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/fy13ombjsequencestrationreport.pdf)).



# Where Would Further Deficit Reduction Come From?

## Cuts in Discretionary Funding

- Allow sequestration cuts to go into effect
- Cut Defense/NDD further

## Cuts in Entitlements

- Social Security
- Health: Medicaid, Medicare
- Low-Income Programs like SNAP
- Farm Programs

## Taxes

- Loopholes that lower tax bill
- Cuts in refundable tax credits

# What is a Budget Resolution?

- House and Senate have passed very different budget resolutions
- Generally done at the start of a calendar year
- Not a law – not signed by the President
- Provides a framework for the next year and for the next 5 or 10 years

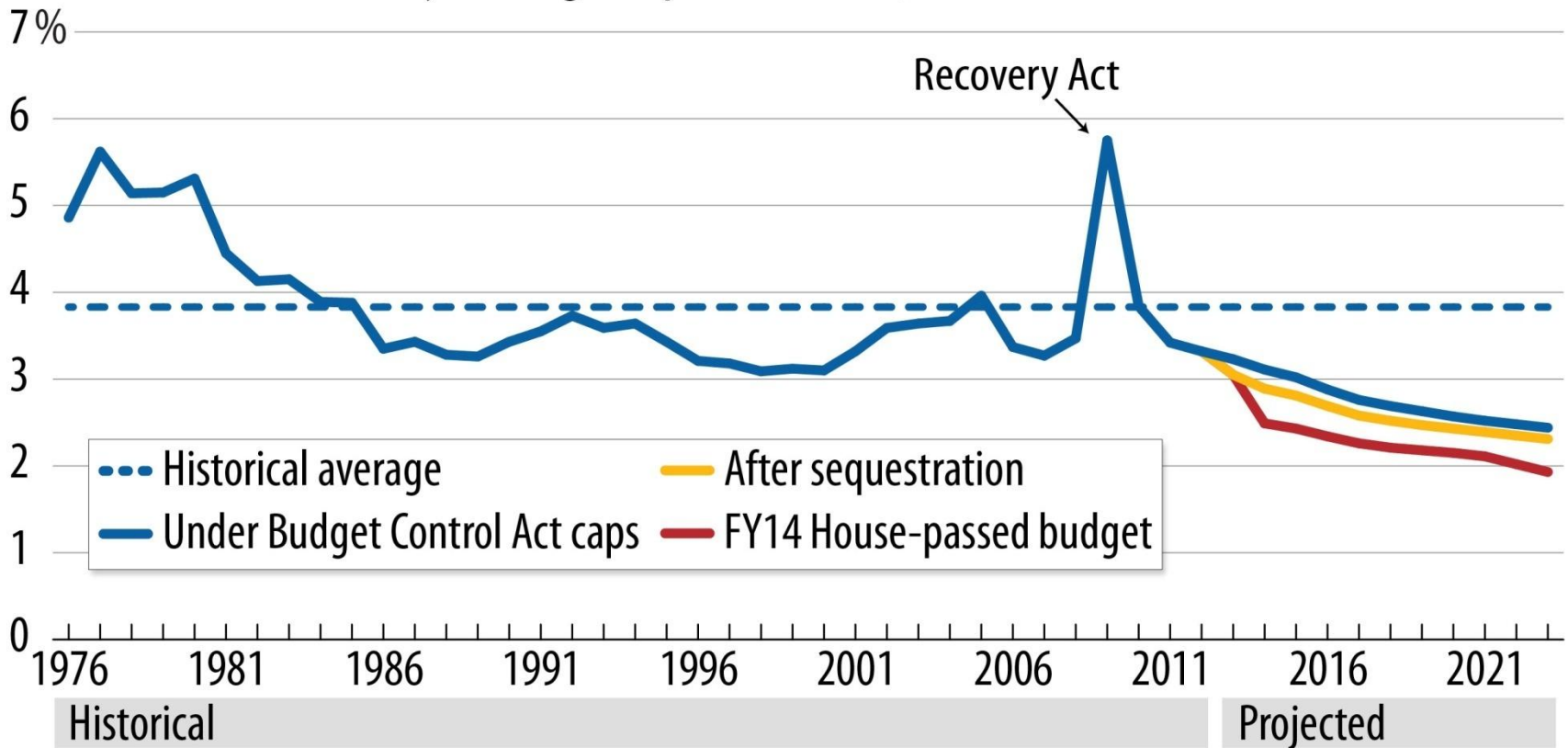
## Ryan Plan Passed by the House Takes Spending Cuts-Only Approach

- Cuts domestic spending by \$6.2 trillion
- Leaves all nine years of sequestration in place but shifts cuts in defense to non-defense discretionary.
- Cuts Medicare by \$355 billion, raises eligibility age, moves to premium support
- Cuts Medicaid & other health programs by \$2.6 trillion
- Cuts taxes without saying how to pay for the lost revenue



# Non Defense Discretionary 1976-2023 “Roadmap for Disinvestment”

Non-defense discretionary funding as a percent of GDP, 1976-2023



\*Historical funding levels are from OMB but adjusted to eliminate effects of timing shifts and other budget anomalies.

Note: The funding spike in 2009 reflects the discretionary portion of the Recovery Act, which constituted a one-time appropriation. The smaller spike in 2005 reflects disaster relief after Hurricane Katrina. The one-time appropriation for emergency Hurricane Sandy relief in 2013 is excluded.

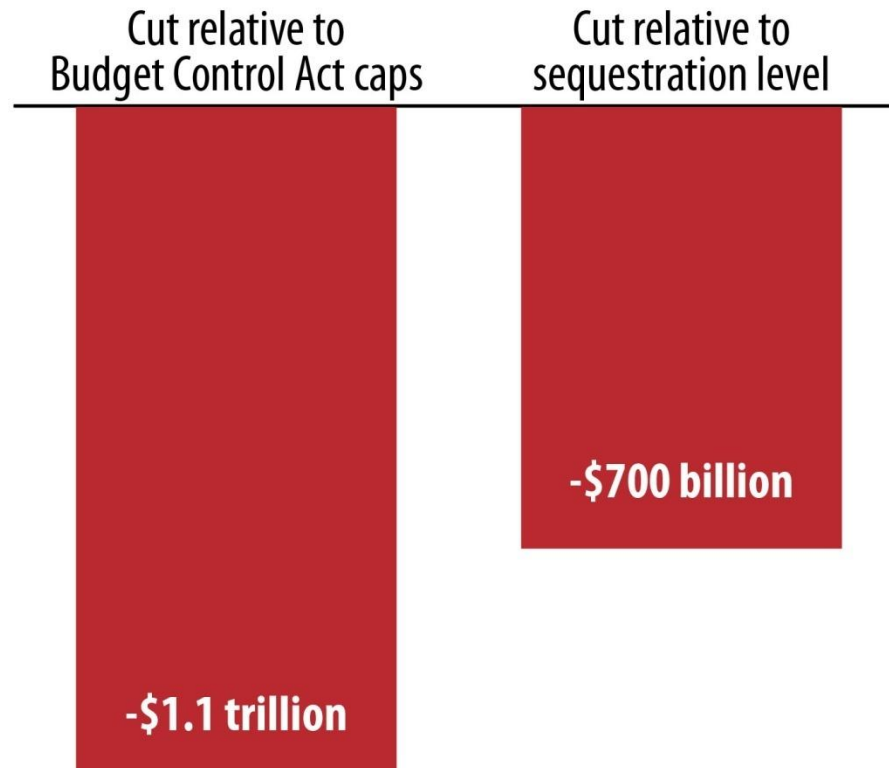
Source: Center on Budget and Policy Priorities based on Office of Management and Budget and Congressional Budget Office data.



# Ryan dollar cuts to NDD

## Ryan Budget Imposes Large Cuts in Non-Defense Discretionary Funding

Cuts to non-defense discretionary funding under the Ryan budget, fiscal years 2014 through 2023

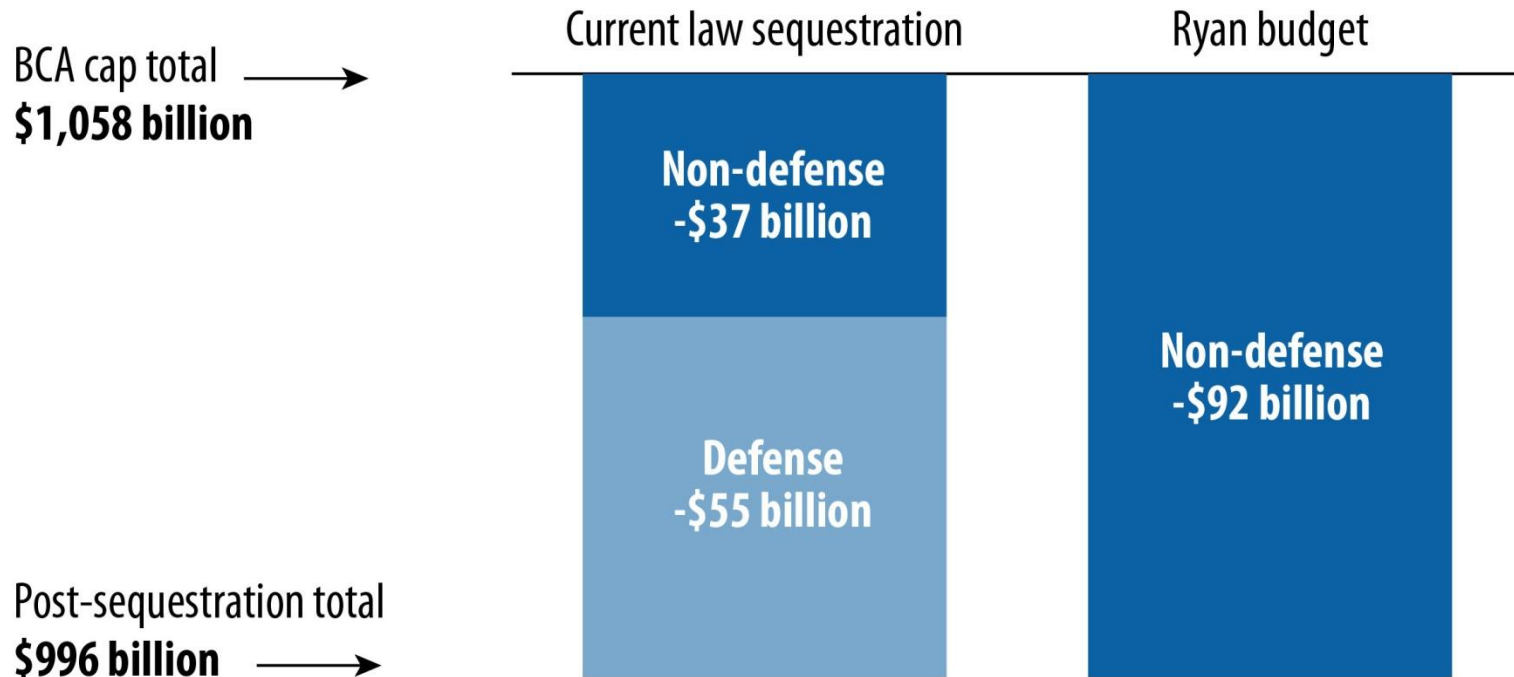


Source: CBPP analysis of Ryan budget, based on Congressional Budget Office data



# Ryan Budget Replaces 2014 Defense Sequestration with More NDD Cuts

Cuts to discretionary funding relative to the pre-sequestration Budget Control Act (BCA) caps



Note: Excludes additional cuts in the Ryan budget from discontinuing the program integrity and disaster allowances that exist outside the Budget Control Act caps. The Ryan budget subsumes all program integrity and disaster funding within its non-defense funding caps.

Source: CBPP analysis of Ryan budget and Budget Control Act.

## Murray Budget passed by the Senate

- Reduces the deficit by \$1.85 trillion; more than stabilizes debt to GDP
- Half from spending cuts, half from revenues.
- Replaces all nine years of the sequester.
- Reduces Medicare by \$265b (no beneficiary cuts).
- No cost shifts or harmful changes in Medicaid.
- Reduces defense and domestic discretionary below the Budget Control Act caps for the next decade.
- Adheres to the Bowles-Simpson goal of ensuring deficit reduction does not increase poverty.

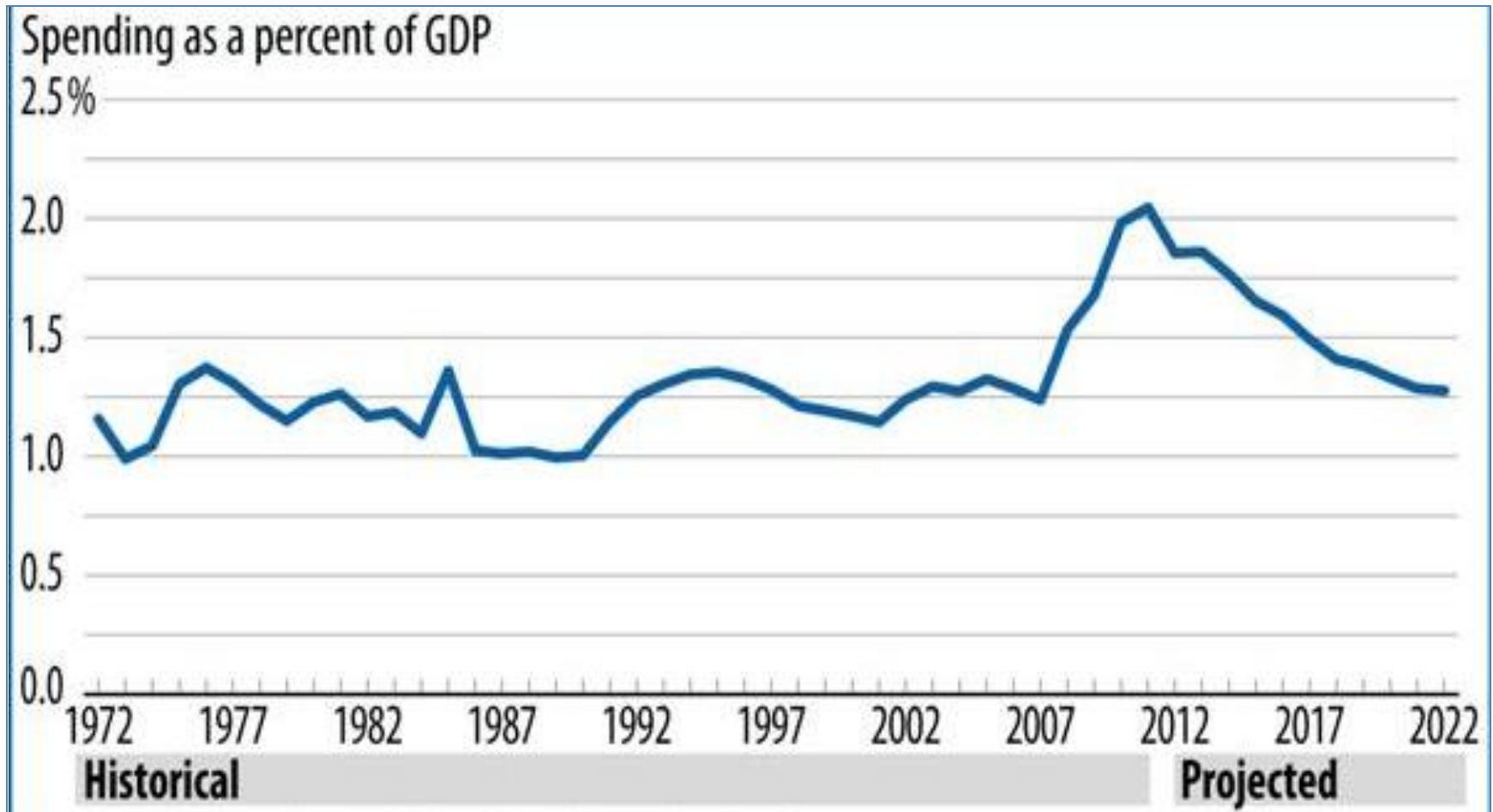


## Obama Budget Includes Offer to Boehner

- Cuts debt by \$1.8 trillion, total deficit reduction of \$4.3 trillion
- Repeals all 9 years of sequestration but cuts discretionary by \$200 billion below the Budget Control Act caps
- Cuts \$400 billion in health care, largely Medicare
- Protects Medicaid beneficiaries and avoids state cost shifts
- Includes \$680 billion in new revenues



# Low-Income Entitlement Spending Outside Health Projected to Fall After 2013

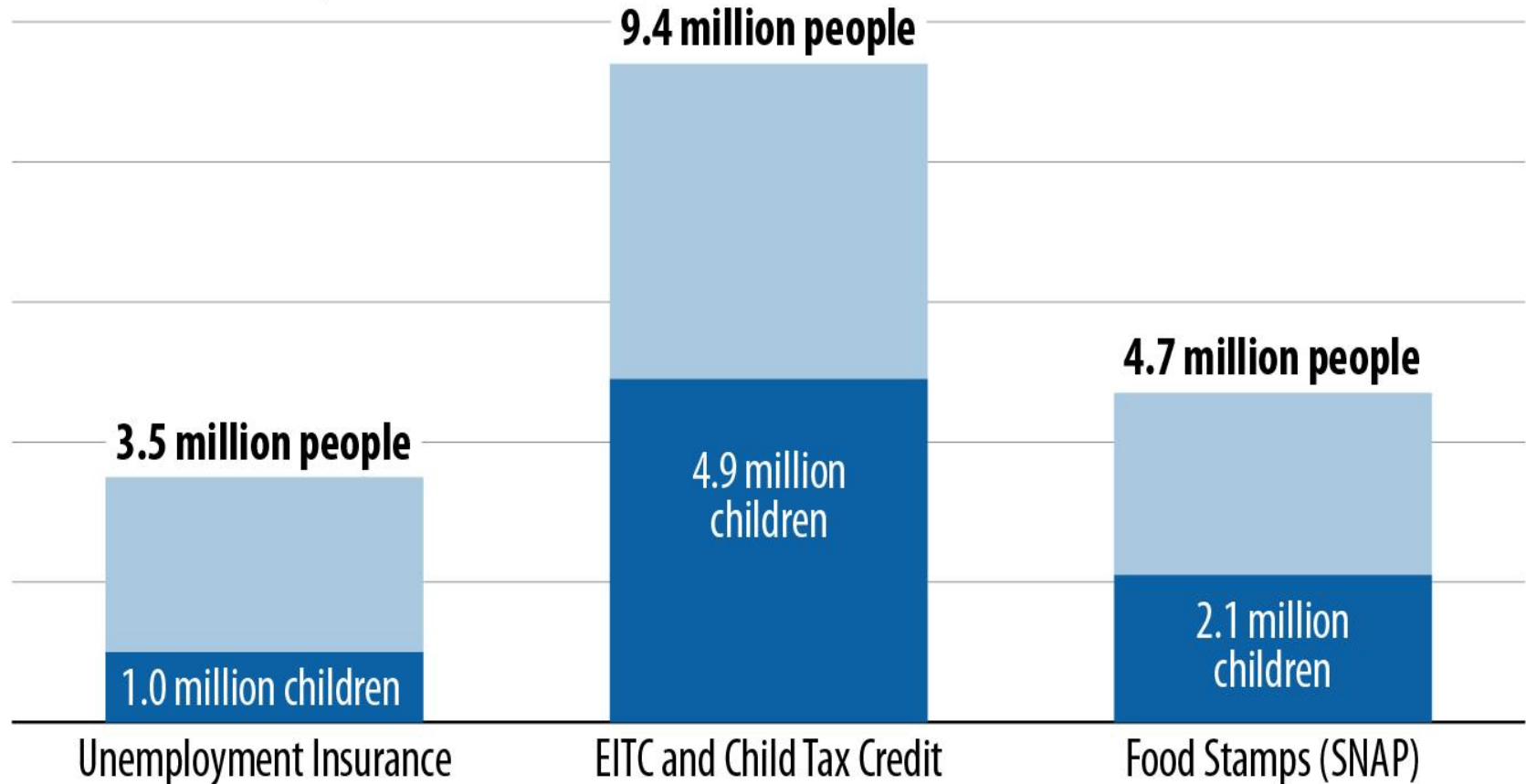


Sources: OMB through 2011; CBPP analysis of CBO data thereafter.



## Government Programs Kept Millions Out of Poverty in 2011

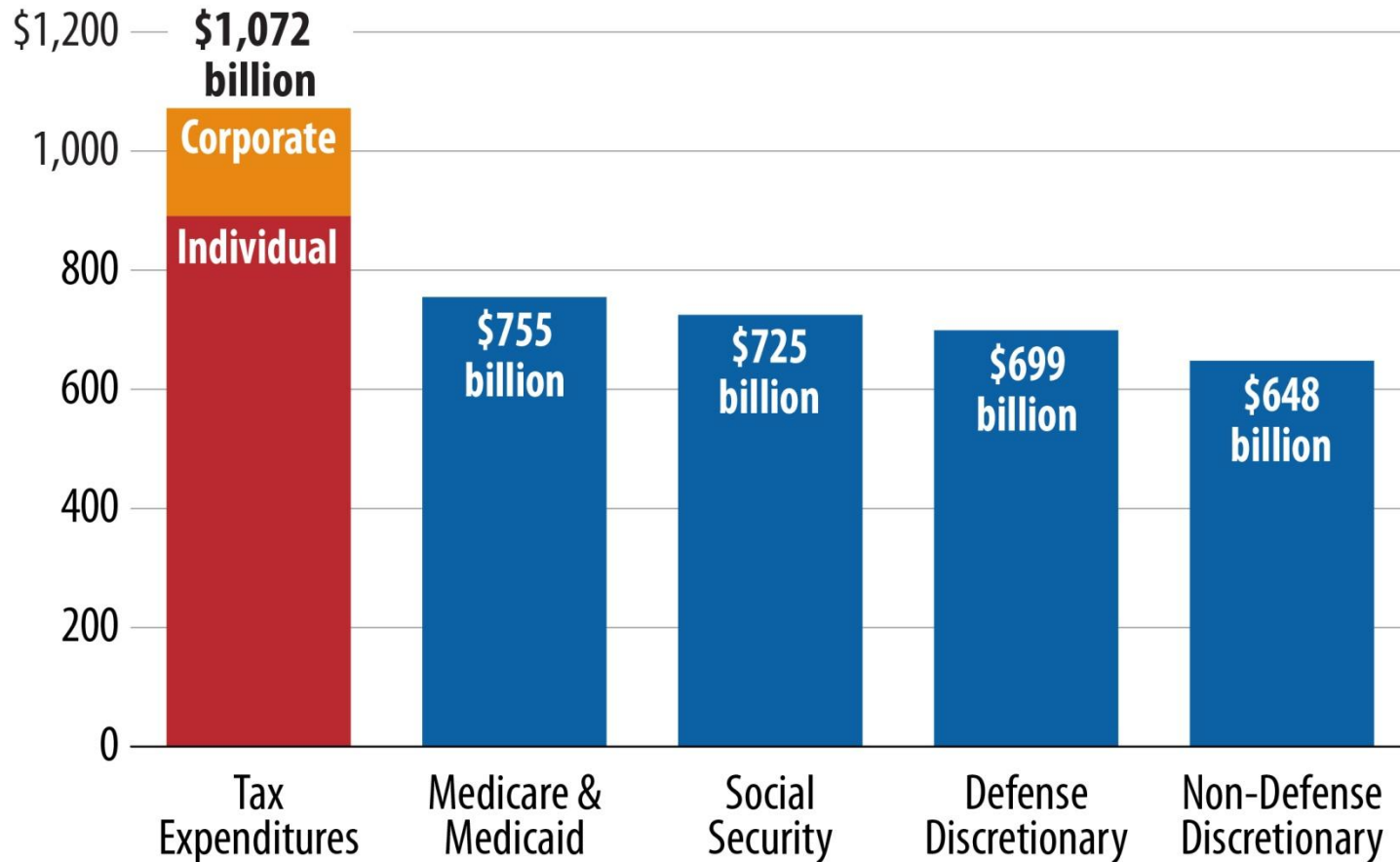
People kept above the poverty line in 2011 when selected benefits are counted as income, based on Supplemental Poverty Measure



Source: CBPP analysis of U.S. Census Bureau data.

# Tax Expenditures are Substantial

Tax expenditures and outlays for other major spending categories in 2011, in billions

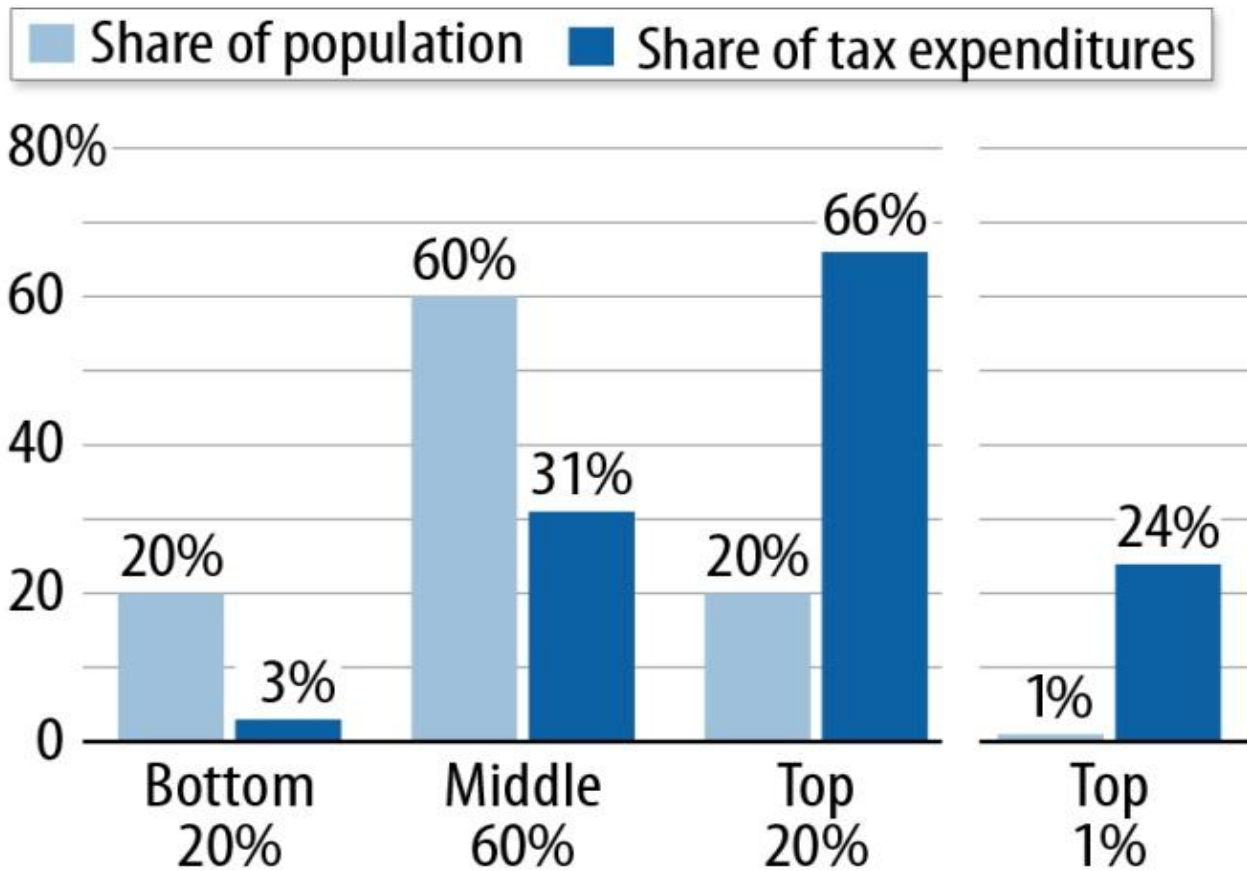


Note: Tax expenditure estimates do not account for interaction effects; estimate does not include outlays.  
Source: Office of Management and Budget, Historical Tables 8.5 and 8.7 and Analytical Perspectives Table 17-2.



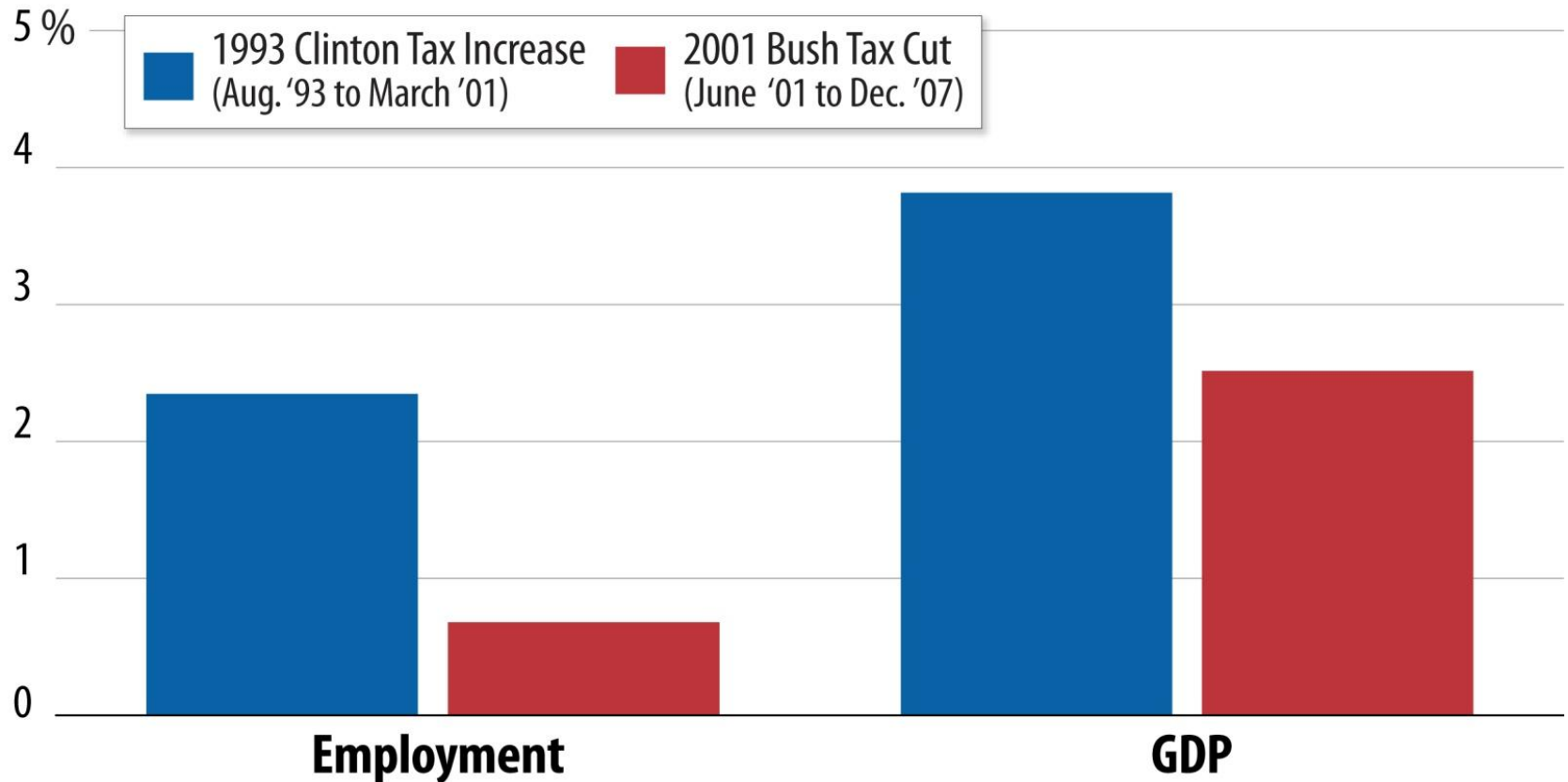
# Tax Expenditures are Highly Regressive

Share of population and total individual tax expenditures by income group, 2011



## Higher Taxes Are Not a Barrier to Economic Growth

(Average annual growth in period following tax change)



Source: CBPP calculations from Bureau of Labor Statistics and Bureau of Economic Analysis

# Core Principles for Deficit Reduction

- Further deficit reduction should reflect that about 70% of the deficit reduction has come from spending cuts.
- Any further deficit reduction— which should replace the entire sequester—must include significant new revenues
- Don't increase poverty or income inequality
- No further cuts in non-defense discretionary funding
- Don't shift costs to states, especially in Medicaid



# **2013 Spring Policy Forum**

## **Discussion Panel**

**Bill Bolling, Atlanta Community Food Bank**

**Lesley Grady, Community Foundation for Greater Atlanta**

**Philip D. Lanoue, Ph.D, Clarke County School District**





# Thank you for your support!

## **About the Georgia Budget & Policy Institute**

GBPI seeks to build a more prosperous Georgia. We rigorously analyze budget and tax policies and provide education to inspire informed debate and responsible decision-making, advancing our vision of a state in which economic opportunity and well-being are shared among all. GBPI is an independent, nonpartisan nonprofit founded in 2004.